

UAC INSURANCE MUTUAL

Board of Directors Meeting

Thursday, August 1, 1996, 10:00 a.m.

UAC Offices

4021 South 700 East, Suite 180, Salt Lake City

A G E N D A

10:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Garfield County Claim #801GAR965001	Garfield County Officials
	Review and Approval of June 14, June 28, and July 18, 1996, Minutes	Gary Herbert
	Director's Report	Brett Rich
	Lunch Break	
	Loss Prevention Report	David Nelson
	Summary of May and June Financial Statements	Brett Rich
	Broker's Report	Jess Hurtado Keri Chappell
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Other Business	
2:00	Adjourn	

4021 South 700 East, Suite 180
Salt Lake City, Utah 84107



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UAC INSURANCE MUTUAL MINUTES, BOARD OF DIRECTORS MEETING

August 1, 1996, 10:00 a.m.

UAC Offices

4021 South 700 East, Suite 180, Salt Lake City

Board Members Present:

Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Robert Gardner, *Secretary*, Iron County Commissioner
Sid Groll, *Comptroller*, Cache County Sheriff
Curtis Dastrup, Duchesne County Commissioner
Ty Lewis, San Juan County Commissioner
Sarah Ann Skanchy, Cache County Council Member
Gary Sullivan, Beaver County Commissioner

Board Members Absent:

Ken Brown, Rich County Commissioner

Others Present:

Maloy Dodds, Garfield County Commissioner
Louise Liston, Garfield County Commissioner
Wallace Lee, Garfield County Attorney
Brian Bremner, Garfield County Engineer
Barbara Hjelle, Special Counsel for Environmental & Public Lands Issues
Mark Walsh, UAC Associate Director
Kent Sundberg, Utah County Deputy Attorney
Brent Gardner, UACIM Administrator
Brett Rich, Director, UACIM
David Nelson, UACIM Loss Prevention Manager
Sonya White, UACIM Administrative Assistant
Doug Alexander, UACIM Claims Administration
Jess Hurtado, UACIM Broker
Keri Chappell, UACIM Broker

CALL TO ORDER

Gary Herbert asked Gerald Hess to conduct the meeting until his arrival. Gerald called the meeting to order.

REVIEW OF BOARD MEMBERS ABSENT

Ken Brown phoned the UAC Office this morning and requested that the Board excuse him from this meeting due to farm equipment problems that must be repaired today. Gary Sullivan made a motion to excuse Ken from this meeting. Sarah Ann Skanchy seconded the motion and the motion passed unanimously.

REVIEW AND APPROVAL OF JUNE 14, JUNE 28, AND JULY 18, 1996 MEETING MINUTES

The minutes from the June 14, 1996, Board of Directors meeting were previously sent to and reviewed by the Board Members. Sarah Ann Skanchy made a motion to approve the minutes as written. Robert Gardner seconded the motion and the motion passed unanimously.

The minutes from the June 23, 1996, Board of Directors meeting were previously sent to and reviewed by the Board Members. Sarah Ann Skanchy noted three spelling errors in the minutes and made a motion to approve the minutes with those corrections. Gary Sullivan seconded the motion and the motion passed unanimously.

The minutes from the July 18, 1996, Board of Directors meeting were previously sent to and reviewed by the Board Members. Board Members signed a "Waiver of Notice" pursuant to section 7.2 of the Bylaws requiring a ten day prior notice for special meetings of the Board. Robert Gardner made a motion to approve the minutes as written. Curtis Dastrup seconded the motion and the motion carried with Sarah Ann Skanchy abstaining.

SET DATE AND TIME FOR CLOSED MEETING TO DISCUSS PENDING OR REASONABLY IMMINENT LITIGATION

Officials and staff from Garfield County were in attendance to discuss claim number 801GAR965001, therefore, Sarah Ann Skanchy made a motion to set the date and time for closed meeting to begin at 10:15 a.m. on August 1, 1996, to discuss pending or reasonably imminent litigation. Robert Gardner seconded the motion and the motion passed unanimously.

Gary Herbert arrived to conduct the remainder of the meeting.

Sarah Ann Skanchy made a motion for the Board to conclude the closed meeting at 11:55 a.m. on August 1, 1996. Gary Sullivan seconded the motion and the motion passed unanimously.

Ty Lewis made a motion authorizing settlement authority of claim number 801DAV937054 in an amount up to \$125,000 with the provision that the two related cases, claim numbers 801DAV947057 and 801DAV957038, are settled within Doug Alexander's authority of \$25,000. Gerald Hess seconded the motion and the motion failed 4-3. The voting was as follows: Curtis Dastrup, Ty Lewis and Robert Gardner in favor; Sid Groll, Gerald Hess, Sarah Ann Skanchy and Gary Sullivan opposed.

After extensive discussion, Sarah Ann made a motion authorizing settlement authority on claim number 801DAV937054 in an amount up to \$125,000. Gerald Hess seconded the motion and the motion carried 6-1 with Robert Gardner opposing.

Sarah Ann Skanchy made a motion authorizing Brett Rich to work with Baird Morgan to draft an agreement with Garfield County, relating to claim number 801GAR965001, involving a split defense wherein UACIM will defend the trespass damage claim with separate defense counsel and the County will be responsible for defending and litigating the right-of-way issue with its own legal counsel. If an agreement is not met, UACIM will file a declaratory judgment action attempting to split the defense. Gerald Hess seconded the motion and the motion passed unanimously. Once an agreement is drafted, the Board will review the agreement via telephonic conference before it is presented to Garfield County.

DIRECTORS REPORT

Pursuant to the July 18, 1996, Board of Directors meeting, Brett Rich was directed to begin contract negotiations with Gallagher. Brett explained that he has reviewed Gallagher's proposed contract and the contract UACIM currently has with AON, who will continue as the UACIM broker until December 31, 1996. Brett brought special attention to language in Gallagher's proposed contract that reads: *In addition to the fees/commissions provided herein it is understood and agreed that other parties such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers and similar parties*

some of which may be owned in whole or in part by Gallagher's Corporate Parent may earn and retain usual and customary commissions and fees in the course of providing insurance products to client pursuant to this agreement any such fees or commissions will not constitute compensation to Gallagher under section 3B1 above. The Board was concerned with issues arising out of Colorado wherein net fees were taken with no compensation except through the set fee from the Association which wasn't defined in the contract. Gallagher has tried to address this issue with this language. The Board directed Brett to request individual disclosure from Gallagher. Brett will draft the contract which Bill Thomas Peters and Susan Griffiths will review prior to continuing negotiations with Gallagher.

Pursuant to the July 18, 1996, Board of Directors meeting, Brett was directed to compare costs of bringing the claims administration in-house. Brett presented an itemization of the AON budget and an estimate of the cost to handle claims in-house for the Board's review.

Brett explained that he has started the process for contracting in-state accounting services. Brett met with Craig Wilkins of Squires who had previously given UACIM a bid for accounting services. Brett will be meeting with other companies once the request is advertised.

Brett reviewed some areas of Code compliance that UACIM needs to address, such as, classes of directors and the number of directors on each committee. The Board directed Brett to revise the UACIM Bylaws for full compliance to the code, to correct repetition and spelling and to re-write the stringent special meeting notice requirement which is stricter than the Open Meetings Act. The Board will review the draft at the next scheduled meeting.

Brett concluded his report by reminding the Board that the premium contributions need to be determined within the next month or two. Brett would like to see the Board base the premiums on exposure and loss experience to establish a rating system. The Board will dedicate the majority of the next scheduled meeting to the discussion of member premium contributions and directed Brett to compile rating scenarios for their review.

Pursuant to the June 14, 1996, Board of Directors meeting, Brett Rich was directed to begin the process of selling the UACIM Loss Prevention Department vehicle in order to purchase a newer vehicle. Brett apologized to the Board that other issues have required the majority of his time and he has not been able to begin this process.

To conclude, Brett reported on his meeting with Davis County officials involving the outside consultant who recommended that the County should be self insured. Brett reviewed the numbers and believes that the consultants projections for a self insured program do not adequately reflect the county's losses. When the total average incurred for Davis County was added, the projections indicate that the County is better off with UACIM.

BROKER REPORT

Jess Hurtado and Keri Chappell arrived to give their broker report. First, Jess and Keri thanked the Board for the opportunity of working together for the past few years and are looking forward to serving out the end of their contract. Jess proposed to the Board the option of maintaining the claims administration unit through AON. The proposed budget for 1997 would be as listed on Brett Rich's claims administration comparison. Jess explained that the LINX claims system is presently costing AON approximately \$15,000 a month to maintain. Jess would like to get the new TopCat claims system installed but does not recommend that UACIM transfer claims data twice within the next six months—if the Board decides upon an alternative other than the claims administration being managed through AON. Jess assured the Board that he feels there will be no conflict between the claims and brokerage and that he would like to continue the relationship between AON and UACIM. On behalf of the Board, Gary Herbert thanked Jess and Keri for all their service and the friendship developed with the Board, staff and members.

SUMMARY OF JUNE FINANCIAL STATEMENTS

Brett Rich reviewed with the Board the June 1996 financial statements. In reviewing *Policy Year 1995 Inception to Date*, revenue and investment income are at \$160,494, paid losses for 1995 are at \$294,000 and reserves are at \$465,000. These numbers continue to look better than most previous years. Currently, the amount in IBNR for the 1995 fund year is over \$1 million. If 1995 losses do not increase substantially, much of that amount will be recaptured.

LOSS PREVENTION REPORT

David Nelson arrived to review his written report with the Board. Risk Reviews were conducted in Cache, Garfield, Box Elder, Sevier, Sanpete and Kane Counties which recommendations have been sent to these counties except for Kane which David is in the process of completing. The UACIM Risk Management Program will be used as a guideline during David's second semi-annual visit to the counties. One of the prerequisites of the Program to be eligible for a premium credit is responding to the risk reviews within 30 days. David is continuing to work with Sanpete County regarding the drug testing of the county commercial drivers and has referred them to the DFW Drug-Free Consortium for assistance.

The Board questioned what steps are being taken to correct and/or control problems occurring in the county jails. David reported that he has reviewed the policies and procedures of the member county jails but the challenge is getting the employees to follow the written policies. The Board discussed the need for more training in the problem claim areas of UACIM. Sid Groll recommended that efforts may be coordinated with the Sheriff's during their meeting in November. The Board directed Brett Rich to work with Gary DeLand, Sheriff's Association Director, for this coordination. David continued his report explaining that regional training was conducted in June in the areas of the Family Medical Leave Act and the Fair Labor Standards Act. 123 UACIM member officials and employees attended. In September, training will be conducted in the areas of wrongful termination and personnel discipline using T² of Utah State University's Ed-Net. David briefly reported on the sessions he attended at the Professional Development Conference in San Diego.

SET DATE AND TIME FOR CLOSED MEETING TO DISCUSS

THE CHARACTER, PROFESSIONAL COMPETENCE, OR PHYSICAL OR MENTAL HEALTH OF AN INDIVIDUAL

Ty Lewis made a motion to set the date and time for closed meeting to begin at 2:20 p.m. on August 1, 1996, to discuss the character, professional competence, or physical or mental health of an individual. Robert Gardner seconded the motion and the motion passed unanimously.

Ty Lewis made a motion for the Board to conclude the closed meeting. Gary Sullivan seconded the motion and the motion passed unanimously.

OTHER BUSINESS

Curtis Dastrup questioned coverage for a newly formed Mental Health Facility by inter-local agreement with three counties. This is a county owned facility by three counties who are insured by UACIM. Brett Rich will research this coverage issue and report back to Curtis.

The next meeting of the Board of Directors will be held August 29, 1996, at 9:00 in the UAC offices.

LOSS PREVENTION REPORT

BY: David L. Nelson, Loss Prevention Manager

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
BOARD OF DIRECTORS MEETING, AUGUST 1, 1996

RISK REVIEWS:

Cache County

The first 1996 risk review for the county was completed on July 3, 1996. The risk review report and recommendations were submitted to the county council for evaluation and compliance.

Garfield County

The first 1996 risk review for the county was completed on July 12, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Box Elder County

The second 1996 risk review for the county was completed on July 17, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Sevier County

The second 1996 risk review for the county was completed on July 19, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Sanpete County

The second 1996 risk review for the county was completed on July 23, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Kane County

The first 1996 risk review for the county was completed on July 30, 1996. The risk review report and recommendations will be submitted to the county commission for evaluation and compliance.

TRAINING:

Cache County

On July 2, 1996, I met with the county drivers to conduct loss prevention training. Claims activity, driving safety, drug testing and related loss prevention were discussed. The video "No Exit" was also shown. Two separate meetings were conducted.

Regional Training

On June 17, 18, 19, 20 and 21, 1996, sessions were held on the Fair Labor Standards Act and the Family Medical Leave Act. Davis, Emery, Utah, Grand and Iron County hosted the training. A total of 123 member county officials and employees attended. Ms. Ruth Bauman of the U.S. Department of Labor was the presenter.

OTHER:

I attended the Professional Development Conference and Exposition on June 24-26, 1996 in San Diego, California. This conference was sponsored by the American Society of Safety Engineers of which I am a professional member. Following are brief outlines of sessions I attended:

Monday, June 24, 1996

8:00 am - 10:00 am: opening general session, keynote presentation "Climbing your own Everest" by Mr. John Amatt.

10:00 am - 5:00 pm: exposition open

12:30 pm - 2:00 pm: "Biodynamics and Human Factors Associated with Slips, Trips and Falls"

This session's presenter was Mr. Malcolm Robbins who is a forensics engineer. The session tried to approach the reasons why slip/trip and falls occur. A technical review was shown which illustrated how a simple fall can equate to a 40 mph auto accident in terms of impact injury. Prevention of falls was also addressed.

2:00 pm - 3:00 pm: exposition and break

3:00 pm - 4:30 pm: "Taking a Bite out of Your Environmental Regulatory Burden" This session's presenter was Mr. John Wiemhoff who is an environmental technical director. This session dealt with the life cycle of chemicals and how they impact a broad area of exposures. They are: industrial hygiene exposures and related long term liabilities, costs for process ventilation equipment, waste, wastewater, air pollution control. Time was also spent on hazardous waste disposal costs and "cradle to grave" superfund liabilities. Identifying potential emissions and their true impacts was also discussed.

Tuesday, June 25, 1996

8:00 am - 10:00 am: second general session and award presentation, keynote presentation "OSHA Update" by Mr. Joseph A. Dear, assistant secretary of labor

10:00 am - 10:30 am: exposition and break

10:30 am - 12:00 pm: "The Psychology of Safety" This session's presenter was Dr. E. Scott Geller. The session dealt with how a total safety culture requires an understanding of the human dynamics of safety. The presenter is a psychologist with 30 years of experience. He taught the principles and procedures directly applicable to increasing people's commitment for safety improvement.

1:00 pm - 2:30 pm: "Halon Good-bye!" This session's presenter was Mr. Steve Stone who is a utility/petroleum specialist. The session dealt with the fact that halon is gone and no longer to be used as a fire suppressant. Many people are advocating a different solution. Which fire protection alternative is best? Also, a comparison of new agents.

2:30 pm - 3:30 pm: exposition and break

3:30 pm - 5:00 pm: "Safety on a Shoestring: Public Agency Networking and Cooperation" This session had a number of presenters who worked with four break out groups to discuss policy exchanges, video resources, shared training and equipment and material networks. I think I made some good contacts at this session.

Wednesday, June 26, 1996

8:00 am - 9:30 am: third general session, "Applying Hollywood Magic to our Everyday Safety" with Mr. Wally Crowder as presenter. "The Present Shouts, the Future Whispers" with Mr. Robert E. Kennedy, Jr. as the presenter.

10:00 am - 12:00 pm: "Production Team Based Safety" The presenter at this session was Mr. Thomas Hawkinson who is a safety and environmental manager. The session dealt with production teams and high performance work concepts. These new structures focus around cross-training and self directions. Examples were given from a team environment which significantly improved safety programs. This helped participants understand the differences in requirements for implementing an effective safety program.

1:00 pm - 3:00 pm: "Managing Change" The presenter at this session was Dr. Gary Winn from West Virginia University's Safety Studies Department. This session dealt primarily with the help we need to identify some of the essential tools needed to effectively deal with much of the change in our lives today.

I was able to pick-up all other written hand-outs for other sessions. There were many other sessions going on concurrently.

WAIVER OF NOTICE

In accordance with section 7.2 of the Bylaws of the Utah Association of Counties Insurance Mutual; we the undersigned do hereby waive the requirements of ten days notice for the special meeting of the Board of Directors of the Utah Association of Counties Insurance Mutual to be held on July 18, 1996 at 9:00 AM, at the offices of the Utah Association of Counties Insurance Mutual and also by telephonic participation.

Signed:

Gary R. Herbert date 7/31/96
GARY R. HERBERT, President

Gerald E. Hess date 7/31/96
GERALD E. HESS, Vice President

Robert L. Gardner date 8/1/96
ROBERT L. GARDNER, Secretary

Sid P. Groll date 8-1-96
SID P. GROLL, Comptroller

date _____
KENNETH R. BROWN, Member

B. Curtis Dastrup date 8-1-96
B. CURTIS DASTRUP, Member

J. Ty Lewis date 8-1-96
J. TY LEWIS, Member

Sarah Ann Skanchy date 8-1-96
SARAH ANN SKANCHY, Member

Gary E. Sullivan date 8-1-96
GARY E. SULLIVAN, Member

<u>CATEGORY</u>	<u>AON</u>	<u>IN-HOUSE</u>
Salaries	74,200	74,200
Benefits	31,800	31,800
Transportation	5,500	4,320
E&O Coverage (adjusters)	0	5,000
Phone	750 (1200)	900
Postage	500	500
Mail	400	400
Printing	750	750
Office Supplies	800	800
Rent	14,000	14,000
Equipment	650	10,100 *
Copier etc.	2,500	1,000 *
Repairs	300	300
Public Relations	1,000	0
McLaren & Topliss oversight	27,500	?
Meetings	1,000	0
Licensing, Periodicals, etc.	3,000	3,000
Computer Software	25,000	25,000 *
Outside claims service	5,000	5,000
Gallagher Oversight	<u>0</u>	<u>5,000</u>
TOTALS	\$194,650	\$182,070
Less 1 time costs		<u>36,100</u>

\$222,500

AFFIDAVIT OF GARY R. HERBERT

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.

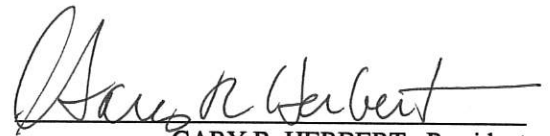
2. That the Affiant, on or about the 1 day of August, 1996, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.


FURTHER, Affiant saith not.

DATED this _____ day of _____, 1996.


GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 15th day of August 1996, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.




NOTARY PUBLIC
Residing at: Salt Lake City, Utah
My Commission Expires: JANUARY 31, 1998

